

Highlights

Various influences unsettled international crude oil prices during January. At the beginning of the month, prices eased from December levels as apprehensions about possible Y2K problems faded after a smooth transition to the new year. In preparation for the changeover, many players laid in extra supplies of product in case of disruptions to market-related systems. Further, concern that declining compliance to quotas set in Organization of Petroleum Exporting Countries (OPEC) production cuts agreements contributed to price declines during the first 10 days of the month. However, prices changed direction quickly as statements were made by several participants in support of continuing the cuts past their scheduled end at the close of March. At mid-month, an official recommendation from OPEC's Ministerial Monitoring Committee advocating an extension of the production cutbacks reinforced the sharp upward trend in crude oil prices. At the same time, inclement weather in the North Sea caused disruptions at production facilities in the region and helped to underpin rising prices across world markets. These and other fundamental factors, particularly declining stocks of crude oil and finished products in key markets, continued to control the direction and robustness of prices through the end of the month.

Despite an untroubled rollover to the year 2000 in the United States, crude oil and finished product prices rose substantially during January. With margins remaining tight, refiners in several regions trimmed runs which contributed to the lowest refinery utilization rate in several years. The continuing vigorousness of crude oil prices led to a tentative suggestion by the Department of Energy to release product from the Strategic Petroleum Reserve

(SPR) to temper prices in U.S. markets. During the first days of the month, most product prices receded from December levels, due in large part to market sentiment that demand would be slow due to pre-Y2K stockpiling and warm winter temperatures across the country. More specifically, despite the mandated use of federal Phase II reformulated gasoline in ozone non-attainment areas as of January 1, gasoline prices remained quiet during the first part of the month. At the same time, distillate prices followed suit because of slower demand. By mid-January, prices for all major products began to rise in response to a combination of issues including comments made by major international oil producing nations, unexpected refinery problems, and forecasts for colder temperatures. Problems at a refining facility in the Northeast cut into the supply of heating oil destined for consumption in the region just as a period of cold, wintery weather descended.

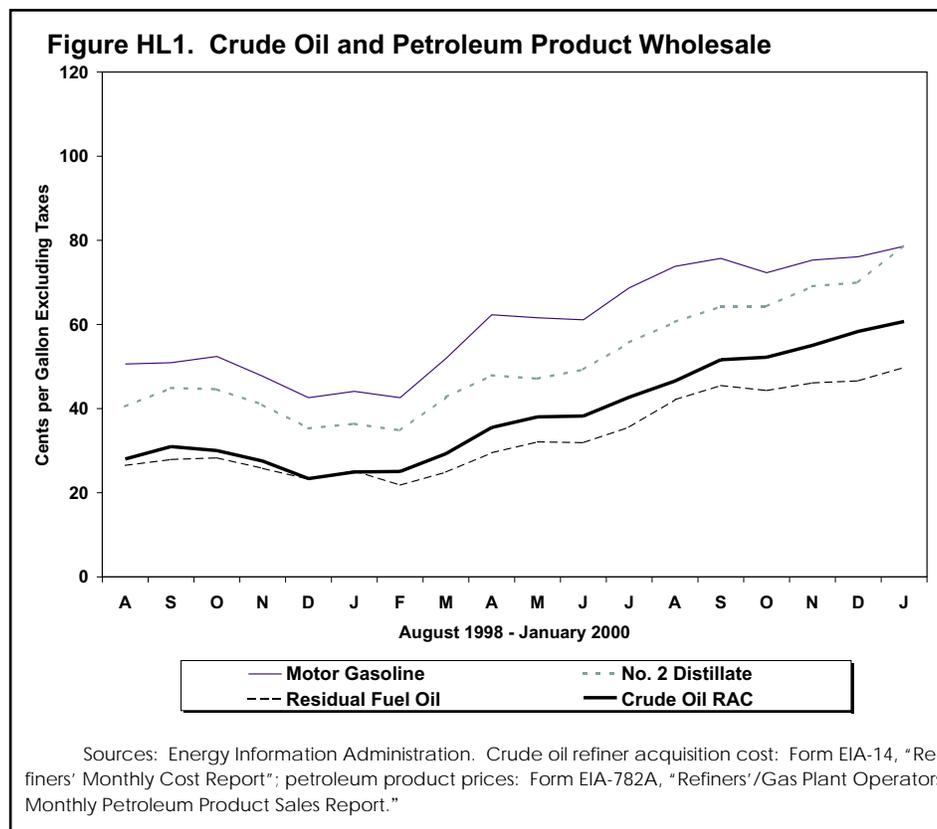


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	January 2000		December 1999		January 1999		January 2000		December 1999		January 1999	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	91.6	54.9	90.3	63.3	59.2	59.5	78.6	269.6	76.1	329.4	44.1	265.0
Conventional	89.9	31.7	88.1	36.9	55.2	35.5	76.3	173.7	73.0	213.1	40.1	171.3
Regular	86.4	22.9	84.4	26.5	50.6	23.3	74.5	136.8	71.1	167.0	37.8	126.7
Midgrade	96.1	4.9	94.3	5.7	59.9	6.2	80.7	12.1	77.5	15.6	44.2	13.4
Premium	102.7	3.9	101.3	4.7	68.1	5.9	83.9	24.8	81.3	30.5	47.6	31.2
Oxygenated	95.5	3.3	94.7	3.8	62.5	3.3	85.0	11.3	83.6	13.9	51.1	10.9
Regular	91.9	2.5	91.0	2.8	58.8	2.4	83.5	8.6	81.8	10.3	49.0	7.9
Midgrade	102.1	0.5	101.3	0.6	68.7	0.5	85.4	1.4	83.3	1.8	52.4	1.3
Premium	111.9	0.3	111.2	0.4	79.1	0.4	94.7	1.4	94.2	1.8	60.2	1.7
Reformulated	93.5	19.9	93.3	22.5	65.5	20.7	82.4	84.6	81.4	102.4	51.5	82.9
Regular	89.1	13.7	88.7	15.3	60.4	13.3	79.2	59.2	78.0	71.6	47.7	54.6
Midgrade	99.4	3.3	98.9	3.7	70.7	3.7	87.0	8.6	86.2	10.6	57.0	9.2
Premium	107.8	3.0	107.8	3.4	78.2	3.8	91.5	16.8	91.1	20.2	59.8	19.0
Aviation Gasoline	119.7	0.1	120.7	0.1	87.0	0.1	111.4	0.4	110.4	0.5	80.9	0.4
Kerosene-Type Jet Fuel	80.4	43.1	73.2	49.0	37.8	43.2	80.2	17.6	72.0	16.9	36.9	14.1
Propane (Consumer Grade)	62.7	4.2	57.7	4.1	42.5	4.3	49.2	44.4	41.7	45.7	26.5	47.7
Kerosene	106.6	0.3	86.0	0.3	47.2	0.8	94.4	4.3	76.4	4.2	42.6	4.6
No. 1 Distillate	86.6	0.5	82.5	0.5	NA	NA	86.5	3.4	80.4	4.2	46.9	4.1
No. 2 Distillate	80.8	22.5	73.5	25.6	42.1	22.5	78.9	114.5	70.0	125.8	36.4	118.1
No. 2 Fuel Oil	86.5	3.0	73.8	3.3	45.2	3.8	82.8	30.7	67.6	28.5	36.3	34.8
No. 2 Diesel Fuel	79.9	19.5	73.5	22.2	41.4	18.7	77.4	83.7	70.6	97.3	36.5	83.3
Low Sulfur	82.6	13.4	75.8	14.9	43.5	12.6	77.7	72.3	71.1	83.8	36.8	69.6
High Sulfur	74.0	6.1	68.8	7.3	37.1	6.1	75.5	11.4	67.6	13.6	34.8	13.7
No. 4 Fuel^a	73.7	0.5	63.7	0.4	39.4	0.5	76.1	0.2	60.2	0.2	34.4	0.2
Residual Fuel Oil	54.5	13.8	51.5	14.7	27.2	17.1	49.8	8.7	46.6	9.0	25.2	18.0
Sulfur Content not > 1 %	64.5	4.2	57.2	4.4	32.4	4.4	56.7	3.6	51.5	3.7	27.6	7.6
Sulfur Content > 1 %	50.1	9.6	49.1	10.3	25.4	12.8	45.0	5.1	43.3	5.4	23.5	10.4

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Consequently, the spot price for no. 2 heating oil and kerosene-type jet fuel at New York Harbor began an unprecedented rise. During a one-week period beginning on January 18, the price for heating oil skyrocketed, rising from 81.4 cents per gallon to \$1.359 per gallon on January 25. The price retreated by the end of January as forecasts for warmer temperatures and cargos from foreign ports began to arrive.

Additional January market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

At Cushing, Oklahoma, the daily spot price for West Texas Intermediate (WTI) crude oil underwent significant changes during January. After opening at \$25.76 per barrel, the price quickly slipped to the month's low of \$24.65 on January 5. After hovering just below the \$25.00-per-barrel mark, the price began a sharp climb mainly in response to talk of extending OPEC production cuts past their scheduled expiration at the end of March. The price continued to rise over the coming weeks, reaching a new long-term high of \$30.28 per barrel on January 25. The price eased during the final days of the month due to technical factors and conflicting messages from OPEC members regarding the production cuts agreements. Closing at \$27.65 per barrel, the price was \$1.89 higher than where it began January.

- Monthly average crude oil prices for January show moderate increases in all categories of sales. The average domestic crude oil first purchase price climbed 95 cents (4.2 percent), to \$23.50 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil shows the largest change, rising \$1.40 (6.2 percent), to \$24.10 per barrel. The average landed cost of foreign crude oil rose nearly as much, climbing \$1.36 (5.7 percent), to \$25.07 per barrel.
- The average refiner acquisition cost for domestic crude oil increased \$1.12 (4.5 percent), to \$25.85 per barrel. The average cost of imported crude oil to U.S. refiners rose 92 cents (3.8 percent), to \$25.27 per barrel. The composite refiner acquisition cost for crude oil increased 99 cents (4.0 percent), to \$25.50 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for unleaded regular gasoline at New York Harbor was comparatively the least volatile component in the complex during January. As is typical at this time of the year, demand for gasoline was slow which contributed to builds in gasoline stocks over January. Opening at 65.3 cents per gallon, the price eased to the month's low of 64.0 cents per gallon on January 7. Rising steadily during the coming weeks, the month's high of 76.0 was reached on January 20. Experiencing only moderate changes through the end of the month, the price closed at 73.6 cents per gallon, 8.3 cents higher than its initial rate.

- National average gasoline prices rose across the board in January, with wholesale prices showing slightly larger changes than retail prices. For retail sales of motor gasoline by refiners, the average price climbed 1.3 cents to 91.6 cents per gallon, while the average wholesale price rose 2.5 cents to 78.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets climbed 1.6 cents to 90.9 cents per gallon. The average wholesale price increased 2.5 cents to 78.9 cents per gallon. The average dealer tank wagon (DTW) price rose 1.3 cents to 85.9 cents per gallon, while the average rack price gained 3.1 cents, rising to 77.2 cents per gallon. The average price for bulk sales increased 2.2 cents to

69.9 cents per gallon. Reformulated gasoline prices bettered conventional gasoline prices by 3.0 cents at retail and 4.6 cents at wholesale. The margin between conventional and oxygenated gasoline prices was 6.6 cents at retail and 8.2 cents at wholesale.

- Refiner gasoline sales dropped precipitously in January. Total sales fell 68.2 million gallons per day (17.4 percent), to an average of 324.5 million gallons per day. Retail sales declined 8.4 million gallons per day (13.3 percent), while wholesales plummeted 59.8 million gallons per day (18.2 percent). Rack sales accounted for 63.5 percent of wholesales, while DTW and bulk sales accounted 23.6 percent and 12.9 percent, respectively. Reformulated gasoline (RFG) comprised 32.2 percent of total motor gasoline sales, while oxygenated accounted for 4.5 percent.

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor underwent some very dramatic changes during January, driven by severe winter weather on the East Coast and falling stocks in the region. Opening at 69.8 cents per gallon, the price dropped to the month's low of 66.0 cents per gallon on January 7. Building steadily after that, due to market-wide concerns over the OPEC production cuts and the arrival of cold weather, the price began its near stratospheric rise following the holiday weekend. Declining stocks, a severe winter storm on the East Coast, and refinery outages all contributed to the price spiking to a record-setting high of \$1.359 per gallon on January 25. Collapsing almost as quickly as it rose, the price closed the month at still robust 82.0 cents per gallon, 12.2 cents higher than where it began January.

- January monthly average No. 2 distillate prices soared from December levels. The national average residential price showed the largest increase, leaping 21.5 cents to \$1.260 per gallon. The average wholesale price jumped 10.2 cents to 80.3 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 5.9 cents, while the average wholesale price climbed 7.2 cents. The difference between low- and high-sulfur diesel fuel prices was 5.1 cents at retail and 2.6 cents at wholesale.
- Refiner sales of No. 2 distillates were mixed during January. Total sales of No. 2 distillate fell 14.4 million gallons (9.5 percent), to 136.9 million gallons per day. Sales of No. 2 fuel oil rose 1.9 million gallons per day (6.0 percent), while sales of No. 2 diesel fuel

declined 16.3 million gallons per day (13.6 percent). Low-sulfur diesel fuel accounted for 83.0 percent of all refiner diesel fuel sales and 62.6 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil prices rose during January, substantially so in some cases. Refiner prices for low-sulfur residual fuel jumped 7.3 cents to 64.5 cents per gallon at retail, and 5.2 cents to 56.7 cents per gallon at wholesale. The average high-sulfur residual fuel retail price rose 1.0 cent to 50.1 cents per gallon, while the wholesale price rose 1.7 cents to 45.0 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price increased 7.0 cents to 61.2 cents per gallon at retail, and 6.5 cents to 57.9 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil increased 1.0 cent to 50.9 cents per gallon.
- Residual fuel oil sales by refiners declined in January. Total sales fell 1.2 million gallons per day (5.1 percent), to 22.5 million gallons per day. Low-sulfur residual fuel sales decreased 300,000 gallons per day

(3.7 percent), while high-sulfur residual fuel oil dropped 1.0 million gallons per day (6.4 percent).

Other Products

- Other products prices climbed in January, and in some instances the increases were substantial. Refiner propane prices rose 5.0 cents per gallon at retail, and 7.5 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 5.1 cents per gallon. The average retail price for propane climbed 5.8 cents, while the average wholesale price rose 7.1 cents per gallon. Prices for kerosene-type jet fuel, kerosene, No. 4 distillate, and No. 1 distillate increased at both levels. The price for aviation gasoline fell at retail, but rose at wholesale.
- Refiner sales of products included in this section were mixed during January. Aviation gasoline and No. 1 distillate sales were down at both retail and wholesale. Propane sales rose at retail and fell at wholesale, while kerosene-type jet fuel sales did just the opposite. Sales of kerosene increased at both levels, and No. 4 distillate sales rose at retail but remained flat at wholesale.

